



IHS Markit™

Global PMI

PMI signals strengthened global growth in July, but upturn dampened by COVID-19 containment

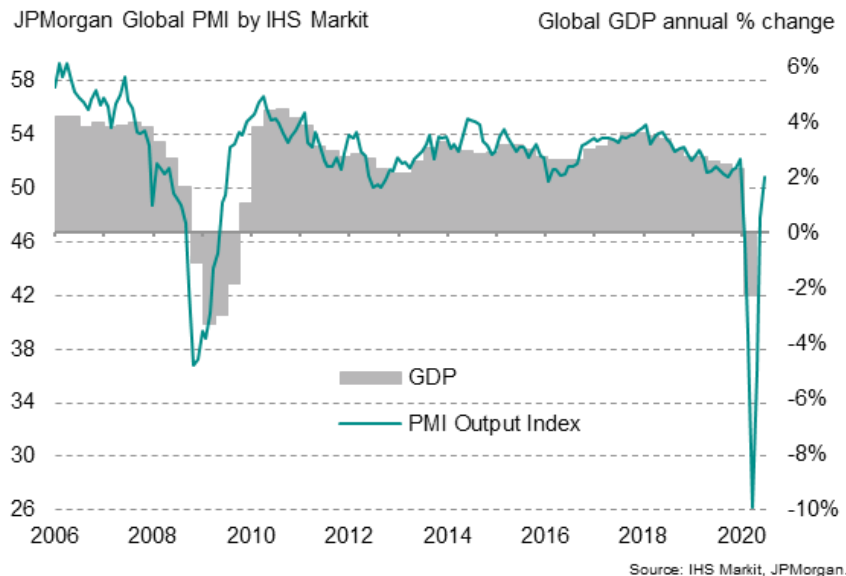
August 10th 2020

Global PMI rises to 50.8, signals fastest growth since January

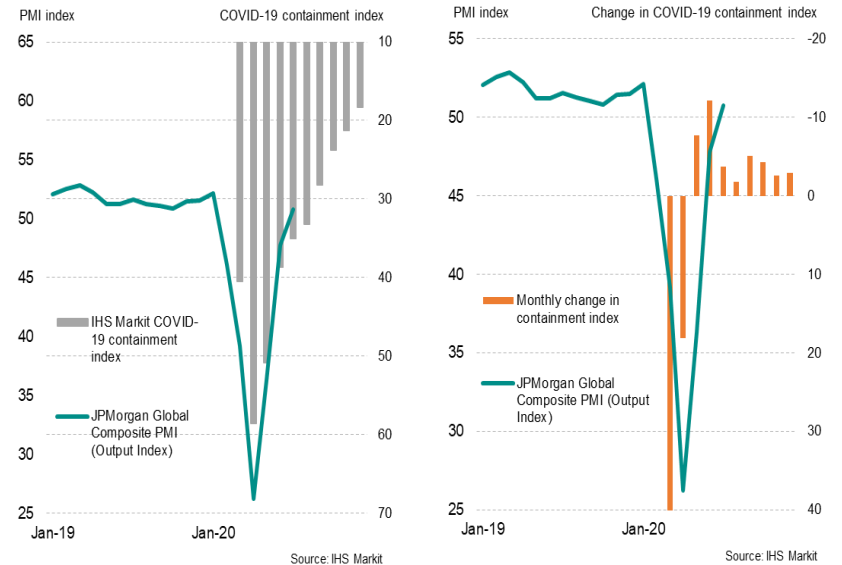
The worldwide PMI surveys indicated a strengthening of global economic growth in July, led by rebounding activity from coronavirus disease 2019 (COVID-19) lockdowns. The JPMorgan Global PMI™ (compiled by IHS Markit) rose for a third successive month in July, up from 47.8 in June to 50.8. The latest reading breached the no-change 50.0 level for the first time in six months to indicate expanding worldwide output across the combined manufacturing and service sectors.

The PMI had collapsed to an all-time low of 26.2 in April as governments around the world took increasingly drastic measures to contain the COVID-19 pandemic, including the widespread closures of non-essential businesses and restricting movement and travel. Since then the PMI has risen sharply as these containment measures have been eased, though the still-subdued level of the PMI reflects the fact that some measures remain in place, and recent weeks have even seen some restrictions re-imposed.

Global PMI* output & economic growth



Global PMI & COVID-19 containment**



* PMI shown above is a GDP-weighted average of the survey manufacturing and services indices.

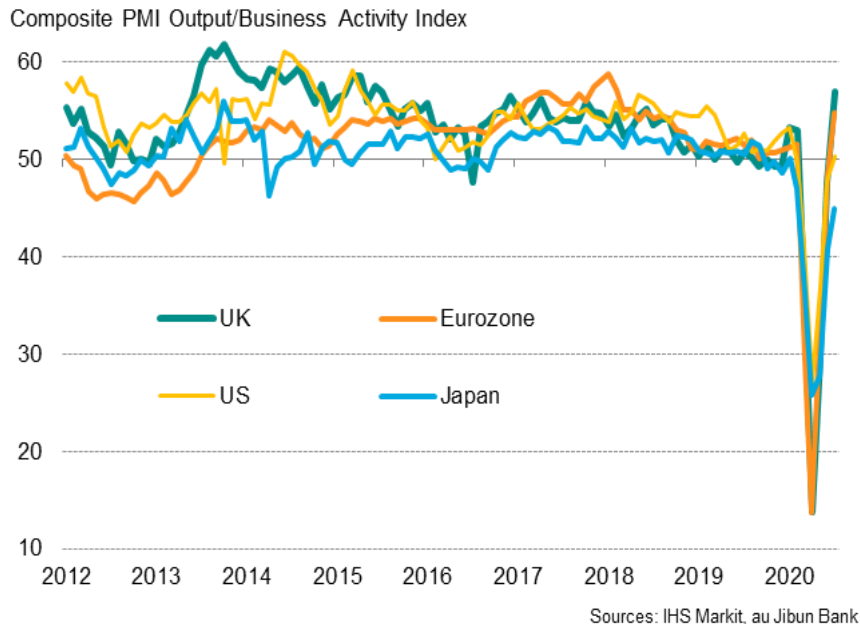
** Our Containment Index looks at a basket of measures applied by governments to control the pandemic, such as non-essential business closures, school closures and travel restrictions.

Europe, Russia and China lead July upturn

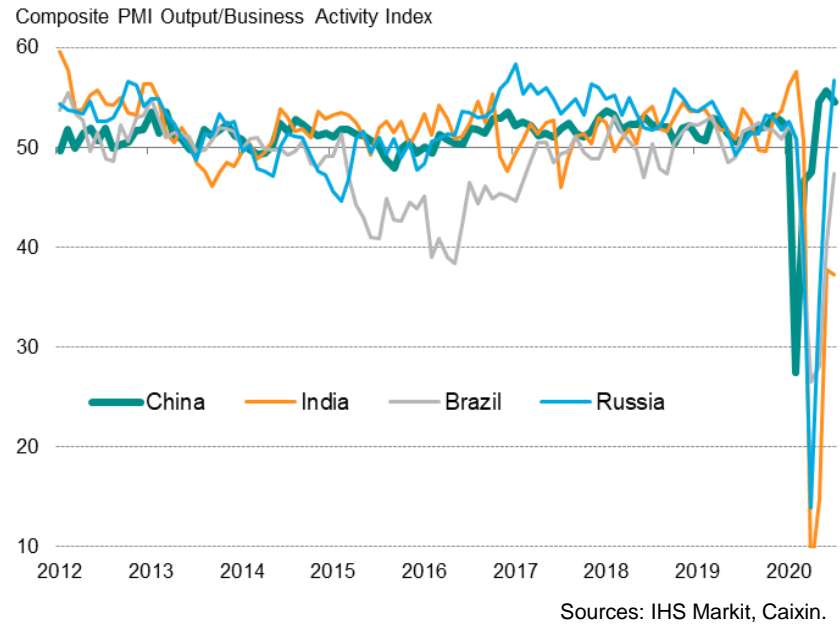
Trends varied markedly among the major developed and emerging economies. Growth in the developed world was led by Europe. The UK composite PMI hit a five-year high in July, with 29- and 23-month highs seen in France and Germany respectively, the latter two helping push the eurozone PMI to a two-year high. In contrast, the US merely stabilized, subdued by a renewed increase in the rate of loss of new orders, while Japan remained firmly in contraction, albeit with the rate of decline moderating.

In the four largest emerging markets, Russia led the expansion, the composite PMI hitting a three-and-a-half year high, buoyed by the largest jump in service sector activity since 2008. China also continued to grow strongly in July, the pace of expansion cooling slightly but remaining among the highest seen over the past decade. Brazil and India remained in decline, however, with the former seeing a welcome easing in the pace of contraction but the decline worsening in India.

Major developed economies' output



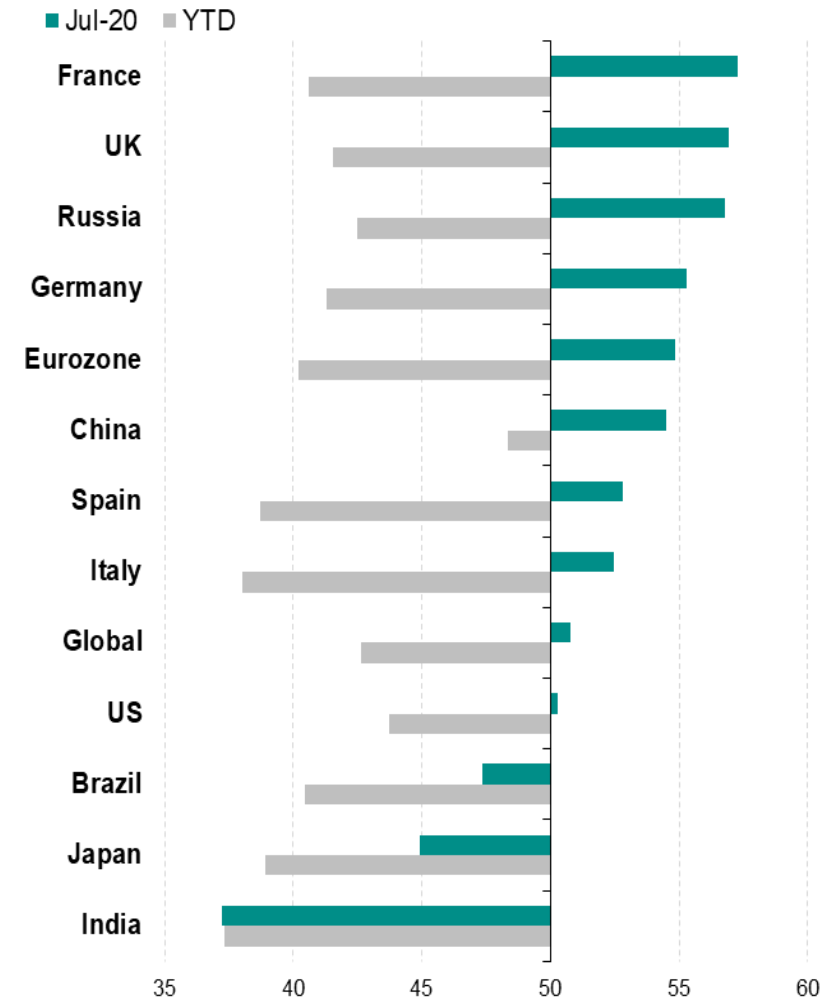
Major emerging markets' output*



Economic performance and COVID-19 lockdowns compared

India saw the tightest COVID-19 restrictions in July, and also saw the lowest PMI. China, with the loosest restrictions, fared well in terms of PMI growth, albeit outpaced by France, Russia, the UK and Germany. Performance was also a function of the *change* in containment: whereas China saw its containment index ease by two points in July, the eurozone and UK saw 12.5 and 15-point easings respectively. In Russia, the containment index has slumped from 67 in May to 34 in July. The relatively poor performance of the US, which saw only a modest expansion of business activity in July, was often linked to the re-imposition of lockdown measures in some states (the US Containment Index rose from 44 in June to 50 in July).

Composite PMI, output index (manufacturing and services)



PMI output v COVID-19 containment measures

Composite PMI output index, July 2020



Source: IHS Markit.

Sources: IHS Markit, JPMorgan, CBA, ISO, CIPS, au Jibun Bank, NEVI, BME, Bank Austria, AIB, AERCE, Caixin, HPI, Davivienda, Istanbul Chamber of Industry, Tengri Partners.

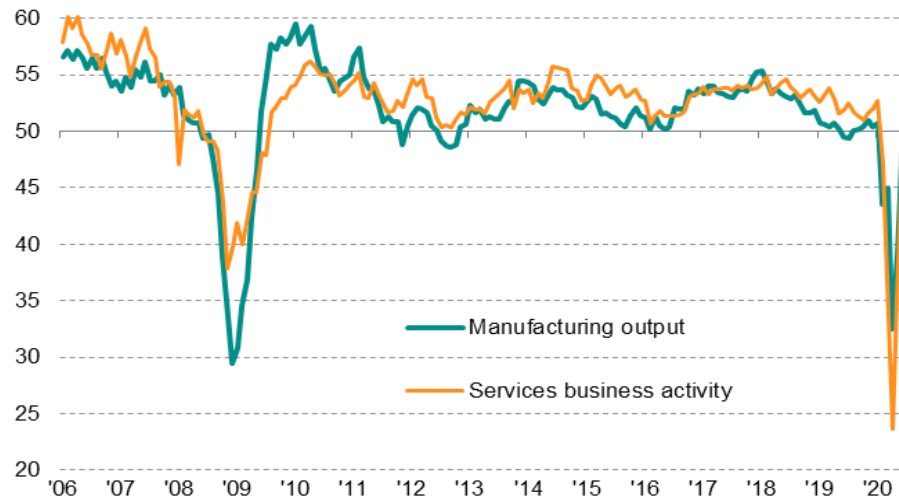
Auto makers lead the rebound, travel & tourism endures torrid year

Output rose globally in [18 of the 26 detailed sub-sectors during July](#), led by autos & parts manufacturing. Chemicals & plastic production, pharmaceuticals & biotech also fared well, as did drink manufacturers, household goods producers and construction material producers.

The strong performance of autos was especially notable, reflecting the restarting of production after closures and rising sales as customers returned to forecourts, especially in Europe. Resurgent growth in household goods reflected the re-opening of retail, while the return of workers to building sites boosted demand for construction materials.

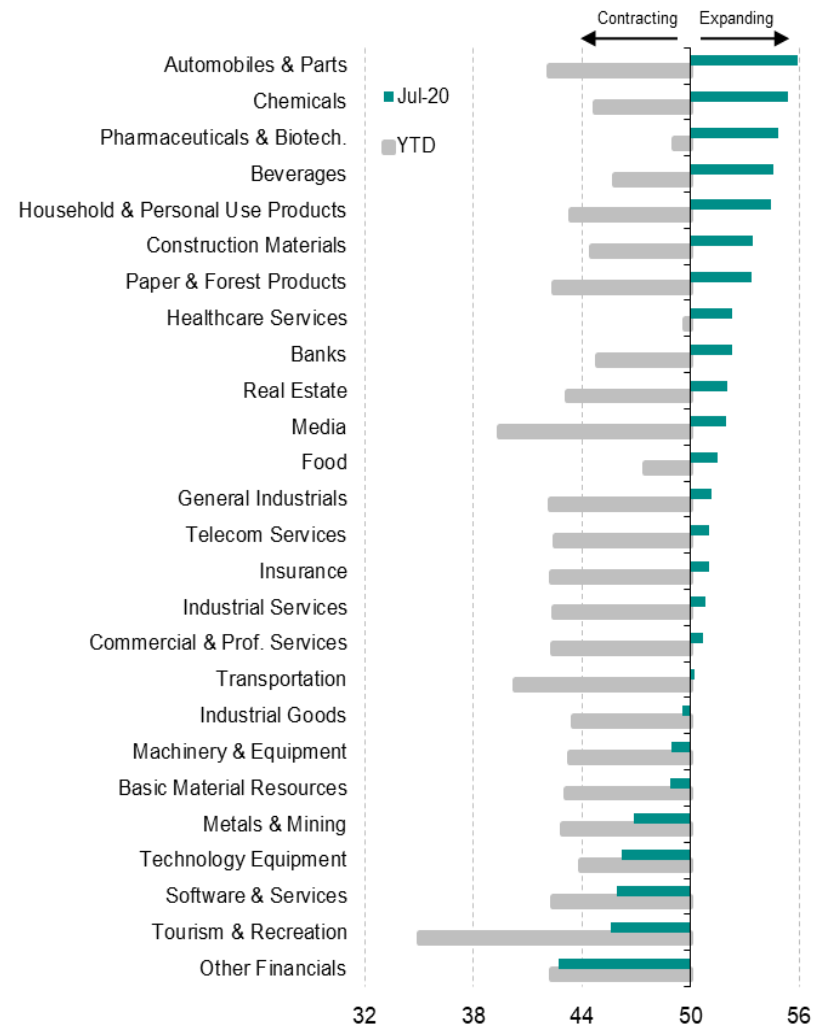
Besides other (non-banking) financials, the tourism and recreation sector saw the steepest decline in output in July, reflecting ongoing social distancing precautions. The sector has also seen by far the steepest downturn in the year-to-date. Not surprisingly, healthcare and pharmaceuticals have fared best (by considerable margins) so far during 2020, followed by food producers.

Global PMI Index, 50 = no change on prior month



Sources: IHS Markit, JPMorgan.

Global Sector PMI Output Index



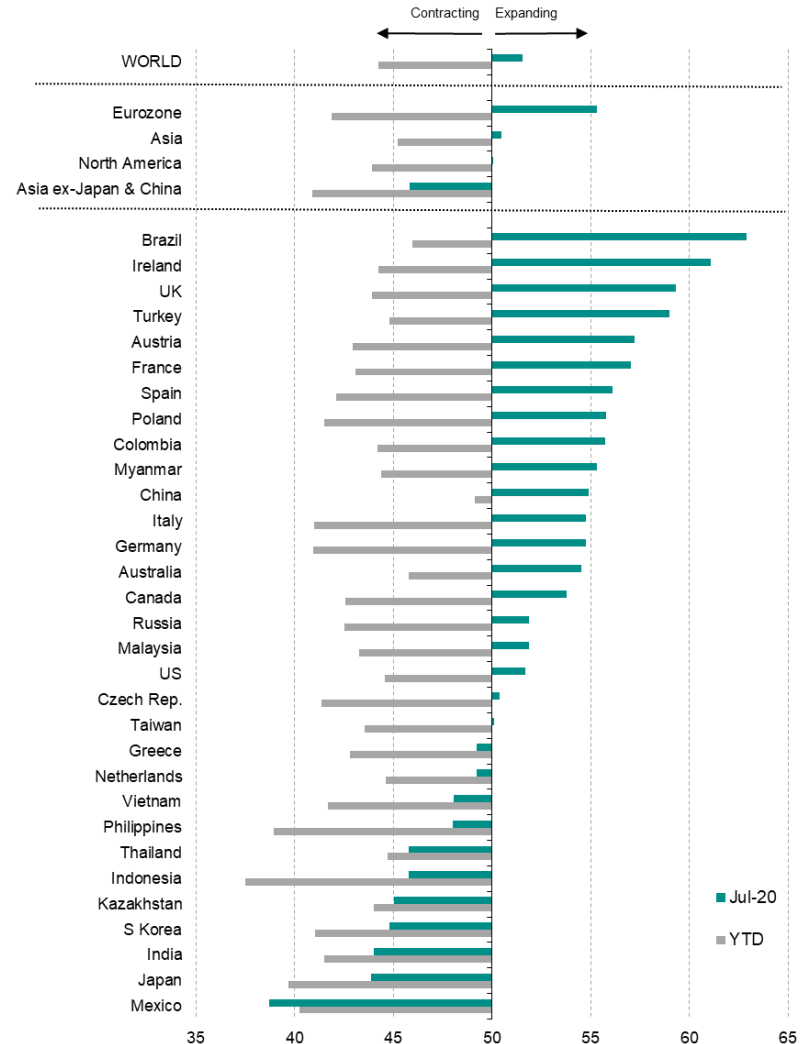
Source: IHS Markit

Brazil jumps to head of manufacturing rankings, Asia ex-China lags

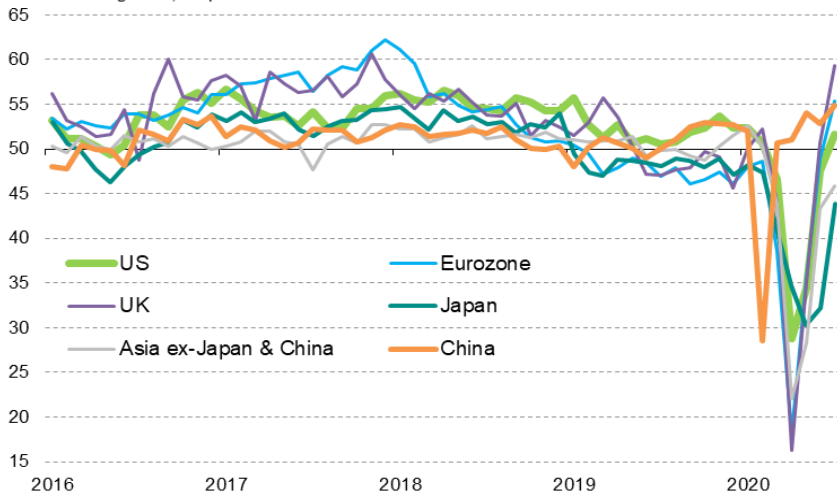
Manufacturing output grew globally in July at the [fastest rate for 1½ years](#), with rising factory production reported across 20 of the 31 countries for which IHS Markit collects manufacturing PMI data, the highest proportion since December 2018 and up from just one (China) in both April and May.

Brazil reported the strongest output gain (a 16-year high), followed by Ireland (a 20-year high) and the UK (a 32-month high), then Austria, France and Spain. With Italy and Germany also reporting robust expansions, the eurozone as a whole saw output rise at the sharpest pace since April 2018. Solid gains were also seen in Australia and Canada, but the US only reported a modest expansion of output while Japan remained in contraction. The rest of Asia ex-China also remained especially subdued, linked to [weak trade flows](#).

Manufacturing PMI output index, 50 = no change on prior month



Manufacturing PMI, output



Sources: IHS Markit, au Jibun Bank, Caixin.

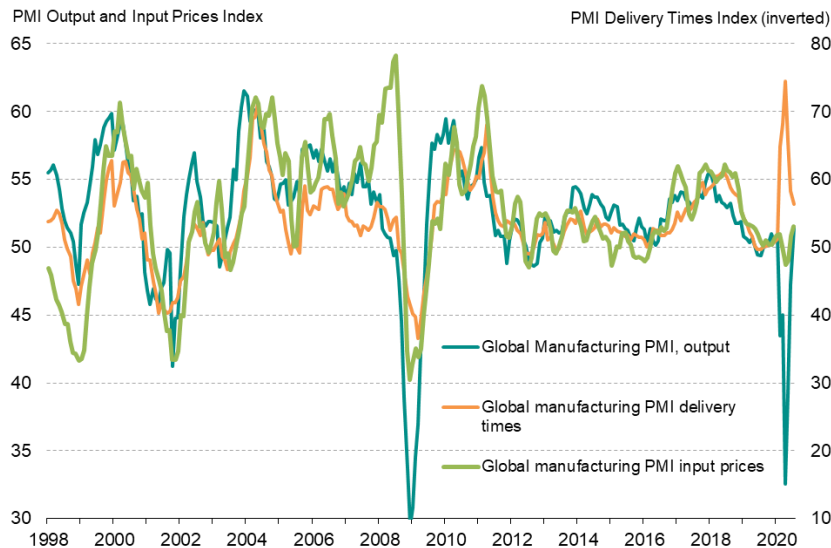
Sources: IHS Markit, JPMorgan, CBA, ISO, CIPS, au Jibun Bank, NEVI, BME, Bank Austria, AIB, AERCE, Caixin, HPI, Davivienda, Istanbul Chamber of Industry, Tengri Partners.

Prices rise at fastest rate for over a year, but national trends vary

Average manufacturing input [prices rose in July at the steepest rate since April 2019](#). Whereas the peak of the pandemic had seen prices fall amid slumping demand, more than offsetting upward pressure from record supply chain delays, July saw persistent supply delays as well as rising demand, exerting a net overall upward pressure on prices.

Price trends varied markedly by country, however, often linked to exchange rates. An appreciating euro in particular helped push down imported material prices for eurozone countries, whereas falling currencies pushed prices higher in countries such as Brazil, Turkey and, to a lesser extent, the US.

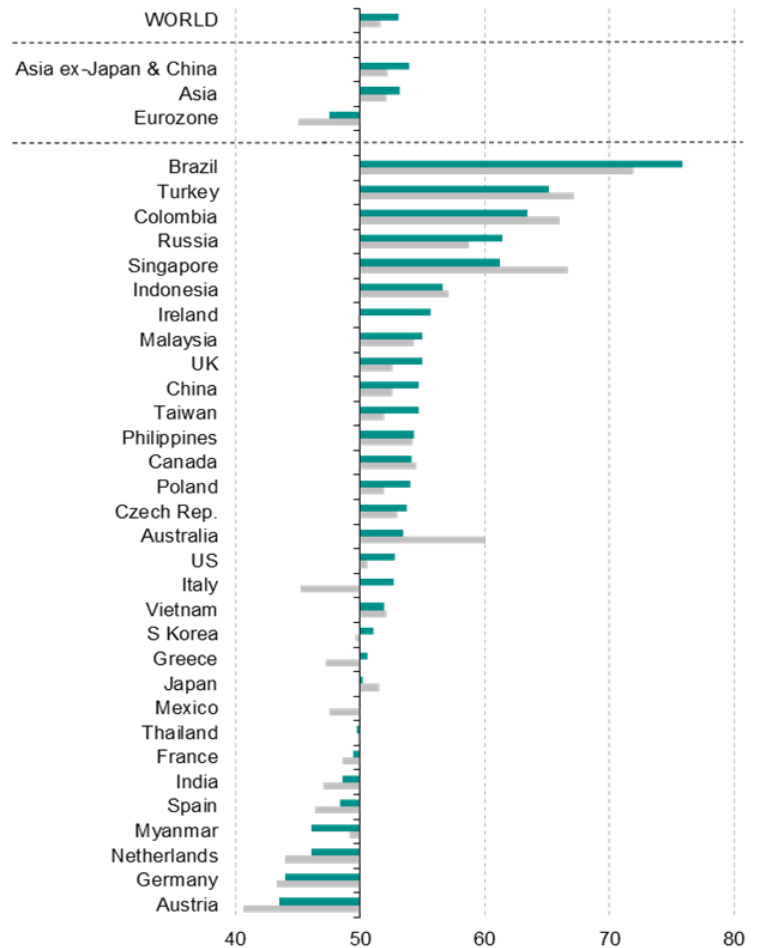
Global PMI price indicators



Sources: IHS Markit, JPMorgan.

Manufacturing input prices by country

Manufacturing PMI Input Prices Index, 50 = no change on prior month

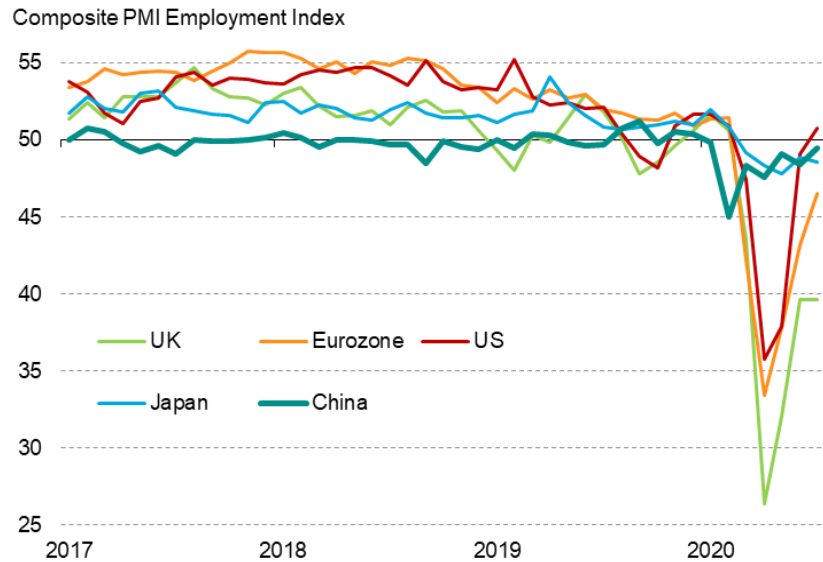


Sources: IHS Markit, JPMorgan, CBA, ISO, CIPS, au Jibun Bank, NEVI, BME, Bank Austria, AIB, AERCE, Caixin, HPI, Davivienda, Istanbul Chamber of Industry, Tengri Partners.

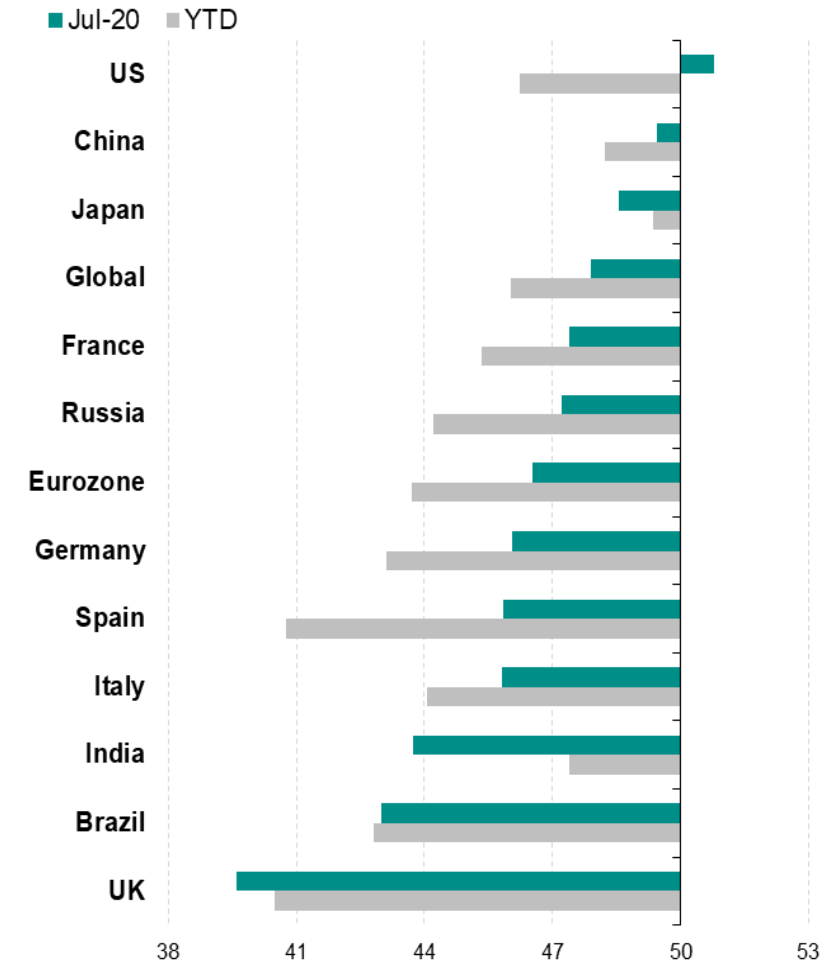
Jobs culled globally for sixth straight month as firms cut capacity

Jobs were cut globally again in July, dropping for a sixth successive month as firms continued to scale back operating capacity amid subdued new order inflows. Worryingly, the rate of job cutting remained steeper than at any time seen over the past 11 years prior to the pandemic, albeit continuing to ease from April's record.

The US bucked the global trend of falling employment in July, registering a composite PMI employment index above 50 for the first time since February. In contrast, rates of job cutting accelerated in Japan and India and failed to ease in the UK, where the service sector cut headcounts at a faster rate to push the UK to the bottom of the employment rankings.



Composite PMI, employment index (manufacturing and services)



Sources: for charts IHS Markit, JPMorgan, CIPS, au Jibun Bank, BME, AERCE, Caixin, ..

Podcast recording

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Free trial

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Upcoming data releases

21st August: Flash manufacturing and services PMIs for the US, Eurozone, Japan, UK and Australia

1st September: Final Global Manufacturing PMIs

3rd September: Final Global Services PMIs

4th September: Detailed Sector PMIs

[Link to calendar](#)

More research at

www.ihsmarkit.com/research-analysis/pmi.html

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